

**MINUTES OF THE MEETING OF
THE OVERSIGHT COMMITTEE OF THE
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

WEDNESDAY, NOVEMBER 10, 2004

**G.E.F. 3
125 S. WEBSTER ST.
MADISON, WI 53702**

Present: Kevin Houlihan
Eileen Mallow
Dan Bubolz
Peter Medley
Glinda Loving

Absent: Phil Kress

Guests: Dave Marchant
Fred Haring (by telephone)
Lowell Carter

Eileen Mallow called the meeting to order at 9:30 A. M.

The agenda was reviewed and no changes were made.

The minutes of the April 19, 2004 Oversight Committee were reviewed.

Upon a motion made by Peter Medley and seconded by Dan Bubolz it was unanimously,

RESOLVED, that the minutes of April 19, 2004 are approved as presented.

Financial Report

Dave Marchant reviewed financial reports for fiscal year 2004. The Fund has increased surplus by \$10 million for the year bringing surplus to just over \$24 million, approximately where it was in FY 2000. Both direct and net losses have decreased significantly resulting in a net income gain of \$9.7 million. The Fund had a combined ratio of .57 and pure loss ratio of .47, far better than the industry. Pete Medley commented that it was good to see surplus over \$20 million and headed toward the target ratio of 1:1 written premium to surplus. Dave indicated that so far in 2005 we are holding at about a 50% combined ratio.

A discussion regarding moving funds from short term investments to long term investments was held, and it was decided that some monies could be moved.

Upon a motion by Dan Bubolz and seconded by Glinda Loving it was unanimously,

RESOLVED, that \$12 million be moved from short term to long term investments and any maturities coming due in the existing program be reinvested in the long term market.

Upon a motion made by Dan Bubolz and seconded by Peter Medley it was unanimously,

RESOLVED, that the Financial Report is accepted as presented.

Advisory Committee Meeting of 10/27/04

Kevin Houlihan reported that there were no motions from the Committee due to a loss of quorum. Kevin indicated that a discussion regarding sub-committee membership resulted in agreement that non Advisory Committee members may serve on sub-committees at the discretion of the sub-committee chair. He also reported that the Claims and Policy Issues Sub-committee continues to look at various coverage revisions and will look further into waiver of subrogation issues relating to AIA documents.

Dan Bubolz reported that the electronic statement of values project is on hold until an outside vendor is hired to complete the work. OCI IT staff have been assigned to other projects and will be unable to complete this task. Dan also reported that four proposals were presented for the administrator's contract and ASU Group was awarded the contract. There is a ten day appeal period that allows unsuccessful bidders to file appeals. Further, Dan mentioned that an RFP has been issued for actuarial services but there has been no response yet. This will be a three year contract.

Eileen Mallow reported that the LAB auditors discovered that approximately two years of claims records were destroyed in error. No opinion can be issued for those two years. Aon was the administrator at the time and they have been asked to produce the records but they cannot. OCI will try to reconstruct with Aon's help. Aon will be asked to pay all costs for reconstruction. A contractor may be hired to complete the task. It is possible that not all claims will have to be reconstructed, but at least 80% will need to be. OCI will do everything possible to reduce the burden on the policyholder.

Dan Bubolz and Lowell Carter led a discussion on terrorism coverage and the implications for excess of loss coverage. Handouts were presented that described various scenarios depending on the Terrorism Risk Insurance Act of 2002 (TRIA) being renewed, and whether excess coverage will be available. TRIA expires 12/31/05 and current excess coverage expires 03/31/05. Sample ISO endorsements were furnished that provided conditional exclusionary language for TRIA coverage and give-back coverage if the Act is renewed. Dan suggested that the Fund take the most conservative approach assuming the TRIA will expire and the excess coverage will not be available. He will continue to pursue quotes for excess coverage at current levels and also minimally to cover policyholders whose renewal date is prior to 03/31/05 on a run-off basis.

Eileen stated that an endorsement should be filed to exclude all terrorism coverage except the minimum required in Wisconsin, and that TRIA coverage be given back if the Act is renewed. An explanatory notice to policyholders should also be developed. These should be mailed by 01/01/05.

Upon a motion by Glinda Loving and seconded by Peter Medley it was unanimously

RESOLVED, that an endorsement be filed that excludes all but minimal coverage required in Wisconsin and that TRIA coverage be provided if the Act is renewed without changes. The endorsement(s) must be mailed along with an explanatory notice to all policyholders by 12/31/04.

Lowell Carter gave a report on steps taken by the Policy Issues and Claims Subcommittee during the past few months. A first draft of a simplified Business Income endorsement has been written and should go to a drafting attorney for review. The need for a coinsurance policy has been discussed and it is agreed that it should continue to be offered. A revision to the Communications Equipment section of the policy has been drafted, but the Oversight Committee suggested it go back to the sub-committee for clarification. The sub-committee has concluded that the "Forgot" clause remain in the policy as currently written since it does not seem to be a financial burden on the Fund. OCI staff feels that the clause should be tightened.

ASU staff suggested to the Oversight Committee that the sub-committee needs more direction from both ASU and OCI regarding policy changes. Eileen asked that ASU and OCI staff compile an inventory of items that need to be changed or clarified. These should be presented to the sub-committee for their input but with the understanding that some changes might be made whether or not they concur. After initial drafting is done, everything would be given to a drafting attorney for finalization. Lowell will communicate this with the sub-committee chair.

Fred Haring presented the Administrator's report regarding claims and policy administration. Reference was made to the Advisory Committee packet that contained several charts and graphs explaining claims data and policy counts. The largest claim in fiscal 2004 was \$1.3 million with 10 other over \$100,000. There were 1500 claims paid and 600 closed without payment. Excluding the 12 largest claims, average payment was about \$4800. There are four claims outstanding with potential recovery of \$2.3 million.

With regard to policy counts and premium, the count is down by three policies but insurance in force and premium in force have increased substantially. ASU has been tracking activity to determine why some policyholders leave the Fund. Some counties are moving to the County Mutual program, while townships tend to go with an agent who packages all coverages in one policy.

ASU continues to survey policyholders and results are very satisfactory, but any criticisms are acted upon by Dan or ASU staff in an effort to improve service.

Additional Topics

Dave Marchant gave an update on the new Fund System (Pinsoft). Policy service began using the system effective July 1, 2004. Claim data will be converted by November and the system should be in operation by year end. Dave mentioned that creating the rate and budget letters will be done differently than in the past. This will involve producing a quote for the renewal period that should streamline the process.

Dan reported that the Total Component Method of appraising property is still being studied for future use by the Fund. It is hoped that it can be adopted in 2005.

Dan also mentioned a new appraisal is being done for Lambeau Field and indications are that the value will be considerably higher.

Next Meeting

The next meeting of the Oversight Committee will be Monday, April 18, 2004 at 9:30 A. M. in room 116 at OCI offices, 125 South Webster Street, Madison, WI.

Eileen Mallow adjourned the meeting at 12:30 P. M..

Respectfully submitted,

Lowell Carter, Acting Secretary

Date

ATTEST:

Eileen Mallow, Chair

Date